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1971 ANNUAL REPORT

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

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105 Main Street East, Hamilton 20, Ontario, Canada

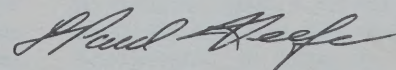
NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TAKE NOTICE that the Annual Meeting of the Shareholders of Income Disability and Reinsurance Company of Canada will be held at the Holiday Inn, 150 King Street East, Hamilton, Ontario, Canada, in the Victoria Albert Room, on Wednesday, the 12th day of April, 1972, at the hour of 11:00 o'clock in the forenoon, Eastern Standard Time, for the purpose of

- (a) Receiving and considering the annual report containing the financial statement made up of a statement of profit and loss, a statement of surplus and a balance sheet, together with the report of the auditors;
- (b) Electing directors;
- (c) Appointing auditors and authorizing the directors to fix their remuneration;
- (d) Transacting such further or other business as may properly come before the meeting, or any adjournment thereof.

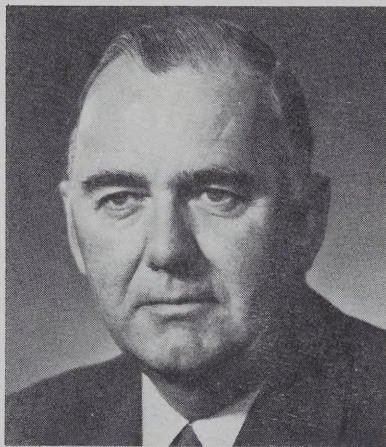
DATED AT HAMILTON, Ontario, this 15th day of March, 1972.

By Order of the Board,



F. PAUL KEEFE,
Secretary.

PRESIDENT'S REPORT TO THE SHAREHOLDERS



Record gains were attained in all areas of the Company's business in 1971. Net profit before income taxes amounted to \$329,316 or \$1.34 per share as compared to \$262,301 or \$1.07 per share in 1970, for a gain of 25.5%. Profit after taxes amounted to \$201,316 or 82c per share in 1971 as compared to \$188,801 or 77c per share in 1970, an increase of 6.6%. The after tax profit did not increase in the same ratio as the pre-tax profit because the Company reached a full tax position in 1971.

The Company's operating base was considerably broadened in 1971 by the acquisition of a number of major association group policyholders. This had the effect of increasing our premium income 36.4% from \$1,866,573 to \$2,546,839. We now insure a large number of professional associations from coast to coast in Canada and are recognized as one of the top association group insur-

ance carriers in the country. Our prospects for even further growth in this important field are most encouraging.

Our 1971 claims experience on our life business was most satisfactory while our disability income claims experience was higher than expected. However, we have renegotiated and revised most of our major disability income plans and this fact, coupled with the generally improving economic climate, entitles us to feel that our claims experience in the coming year will possibly stabilize and begin to show some improvement. We continue to be encouraged with results obtained in the area of cost control. Operating costs reduced from 25.7% of premium in 1970 to 16.8% of premium in 1971. This will improve our competitive position and bring expense factors well into line with those of the industry generally.

As in previous years, our investment income constituted an important factor in our increased earnings. Income from investments increased 24.3% from \$257,863 in 1970 to \$320,555 in 1971. This increase was due in large measure to a growth in total assets from \$4,563,645 in 1970 to \$5,712,674 in 1971. Furthermore, our net yield on investments increased from 6.77% to 7.30%. This was primarily attained through substantial increases in our bond and mortgage portfolios. In addition, realized capital gains amounted to \$46,489 and,

at the same time, our investment portfolio improved in market value by approximately \$160,000.

A significant milestone in the Company's history was reached in 1971 when our total life insurance in force exceeded \$100,000,000. In the period covered by this report, our in force increased by 34.9% and now stands at \$106,381,695.

I am pleased to announce that because of the favourable results attained in 1971, the Board of Directors have increased our semi-annual dividend by 25% from 12c to 15c per share. In addition, a special dividend of 10c per share will be paid along with the April dividend.

The success of an organization such as ours is largely dependent on the efforts of those who produce new business for us and those in our Head Office who are responsible for administration. To these people, on your behalf and on behalf of our Board of Directors, I offer our sincere thanks.

Submitted on behalf of the Board of Directors.

Charles P. Flood

CHARLES P. FLOOD,
President.

March 15, 1972.

THE YEAR 1971 AT A GLANCE

	1971	1970	Increase
EARNINGS (excluding extraordinary gains)			
Profit from operations	\$ 329,316	\$ 262,301	25.5%
Per issued and outstanding share	1.34	1.07	25.5%
Net Profit after Income Taxes	201,316	188,801	6.6%
Per issued and outstanding share82	.77	6.6%

REVENUE

Premium Income	2,546,839	1,866,573	35.4%
Investment Income	320,555	257,863	24.3%
	2,867,394	2,124,436	

FINANCIAL

Assets	5,712,674	4,563,645	25.2%
Capital and Surplus	2,995,398	2,838,915	5.5%
Net Book Value per Share	12.18	11.54	5.5%

OTHER

Total Life Insurance in Force	106,381,695	78,816,782	34.9%
Net Interest Rate	7.30%	6.77%	7.8%
Dividends per Share	24c	20c	20.0%

DIVIDEND ANNOUNCEMENT

A dividend of 15 cents per share and a special dividend of 10 cents per share, for a total of 25 cents per share, will be paid April 28, 1972 to Shareholders of record as of April 4, 1972.

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA — BALANCE

ASSETS

	1971	1970
Investments—(Note 1)		
Bonds and debentures	\$2,330,535	\$1,908,792
Common and preferred shares	648,186	571,444
Mortgages	1,625,607	972,381
Interest-bearing cash deposits	236,262	526,184
	<u>4,840,590</u>	<u>3,978,801</u>
Accrued interest	57,245	51,978
	<u>4,897,835</u>	<u>4,030,779</u>
Cash	44,823	12,342
Outstanding premiums receivable	89,905	81,502
Amounts due from reinsurers	26,962	33,533
Other admitted assets	6,329	12,193
Segregated fund assets—at market value	646,820	393,296
Signed on behalf of the Board:		
CHARLES P. FLOOD, Director	<u>\$5,712,674</u>	<u>\$4,563,645</u>
N. J. BLAIR, M.D., Director		

LIABILITIES, CAPITAL, AND SURPLUS

	1971	1970
Actuarial reserve for life contracts	\$ 152,167	\$ 108,694
Provision for unearned premiums	125,254	96,639
Provision for unpaid and unreported claims	1,208,476	682,919
Provision for policyholder obligations	494,515	359,951
Premiums paid in advance	22,346	22,579
Premium taxes payable	21,305	14,360
Income taxes payable	70,237	62,066
Other liabilities	112,156	106,026
	<u>2,206,456</u>	<u>1,453,234</u>
Policyholder interest in segregated fund	510,820	271,496
	<u>\$2,717,276</u>	<u>\$1,724,730</u>
Capital and surplus (Notes 2, 3 and 4)		
Capital stock—Authorized 1,000,000 shares of \$5 par value each		
—Issued 245,970 shares	1,229,850	1,229,850
Investment reserve (Note 1)	91,470	89,845
Equity in segregated fund	136,000	121,800
Surplus	1,538,078	1,397,420
	<u>2,995,398</u>	<u>2,838,915</u>
	<u>\$5,712,674</u>	<u>\$4,563,645</u>

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 1971

1. INVESTMENTS

Bonds are valued at amortized cost and stocks are valued at cost. The value at which these securities are carried is \$11,991 more than market value at December 31, 1971 and \$172,160 more than market value at December 31, 1970.

The investment reserve has been calculated in accordance with the insurance laws of Canada.

2. CAPITAL STOCK

Under a Voting Trust Agreement, 245,520 of the 245,970 common shares of a par value of \$5 each are deposited pursuant thereto. The Voting Trust Agreement confers upon the trustees the power to exercise all voting rights for shares held within the voting trust. The voting trust expires December 31, 1975.

3. SHARE PURCHASE WARRANTS

154,720 share purchase warrants are outstanding and must be exercised on or before December 31, 1975 at the following prices per share:

\$14.00 until December 31, 1972

\$16.00 thereafter and until December 31, 1975

4. OPTIONS TO PURCHASE SHARES

The company has 63,413 shares reserved for options as follows:

	Greater of 85% of Market Value or		
	\$7.50	\$12.00	Total
Earned or granted	12,819	14,750	27,569
Balance available	27,294	8,550	35,844
Total shares reserved	<u>40,113</u>	<u>23,300</u>	<u>63,413</u>

Options at the greater of 85% of market value or \$7.50 are available to sales personnel only. All options may be earned or granted on a formula established by the Board of Directors and these must be exercised upon certain dates specified by the Board but not later than December 31, 1975. No options were exercised during the year.

5. EXTRAORDINARY ITEM

The extraordinary item in 1970 represents the proceeds from a life insurance policy owned by the company on the life of its late president.

6. CONTINGENT LIABILITIES

The company has guaranteed a bank loan of an insurance agency in the amount of \$25,000.

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

SUMMARY OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 1971

INCOME	1971	1970
Premiums	\$2,546,839	\$1,866,573
Investments	320,555	257,863
Net gain on sale of investments	46,489	15,530
	<u>2,913,883</u>	<u>2,139,966</u>
OPERATING COSTS		
Claims	838,785	517,064
Premiums transferred to segregated funds	223,368	152,433
Policyholder reserves and rating refunds	696,519	407,387
Commissions and advances	346,584	289,282
Premium taxes	50,325	32,135
Salaries	144,682	148,883
Other operating expenses	284,304	330,481
	<u>2,584,567</u>	<u>1,877,665</u>
	<u>329,316</u>	<u>262,301</u>
PROVISION FOR INCOME TAXES	128,000	73,500
NET INCOME BEFORE EXTRAORDINARY ITEM	201,316	188,801
EXTRAORDINARY ITEM (Note 5)	—	50,000
NET INCOME FOR THE YEAR	<u>\$ 201,316</u>	<u>\$ 238,801</u>

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

SUMMARY OF SURPLUS FOR THE YEAR ENDED DECEMBER 31, 1971

	1971	1970
BALANCE—BEGINNING OF YEAR	\$1,397,420	\$1,216,815
Net income for the year	201,316	238,801
	<u>1,598,736</u>	<u>1,455,616</u>
Dividends	59,033	49,194
Increase in investment reserve (Note 1)	1,625	9,002
	<u>60,658</u>	<u>58,196</u>
BALANCE—END OF YEAR	<u>\$1,538,078</u>	<u>\$1,397,420</u>

AUDITORS REPORT TO THE SHAREHOLDERS AND DIRECTORS

We have examined the balance sheet of Income Disability and Reinsurance Company of Canada as at December 31, 1971 and the related summaries of operations and surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of the accounting records as we considered necessary in the circumstances. The claims reserve and other actuarial liabilities have been determined and certified by the consulting actuary to the company.

In our opinion, based upon our examination and upon the certificate of the consulting actuary, these financial statements present fairly the financial position of the company as at December 31, 1971 and the results of its operations for the year then ended, in accordance with accounting practices appropriate to the insurance laws of Canada, applied on a basis consistent with that of the preceding year.

Hamilton, Ontario,
February 9, 1972.

McDONALD, CURRIE & CO.,
Chartered Accountants.

INCOME DISABILITY AND REINSURANCE COMPANY OF CANADA

DIRECTORS

WILLIAM N. ALLAN	Toronto
N. J. BLAIR, M.D.	Vancouver
WALTER W. BOYS	Woodstock
CHARLES P. FLOOD	Hamilton
WILLIAM R. LATIMER, Q.C.	Toronto
WILSON J. LEE	Edmonton
CHARLES A. READ, C.A.	Winnipeg
B. ROSENBLATT	Hamilton
GRAHAM W. SNELGROVE	Hamilton

OFFICERS

CHARLES P. FLOOD	President
F. PAUL KEEFE, C.A.	Secretary and Treasurer

AUDITORS

McDonald, Currie & Co.	Hamilton
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BANKERS

Royal Bank of Canada	Hamilton
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LEGAL COUNSEL

Weatherston, Bowlby, Luchak & Martino	Hamilton
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INVESTMENT ADVISORS

Sceptre Investment Counsel Limited	Toronto
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TRANSFER AGENT

Hamilton Trust and Savings Corporation	Hamilton
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LISTED ON

Toronto Stock Exchange

HEAD OFFICE

105 Main Street East	Hamilton
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INCOME
DISABILITY AND
REINSURANCE
COMPANY OF
CANADA



ANNUAL REPORT 1971